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AGRICULTURAL ADJUSTMENT ADMINISTRATION

Questions and Answers About the AAA Farm Program

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QUESTIONS AND ANSWERS ABOUT THE AAA FARM PROGRAM

Program Results

1. Is the farmer any better off today than he was in 1932?
2. What are some of the things Triple-A has accomplished in seven years?

Fairness to All Farm Groups

3-4. Has not the Triple-A program injured sharecroppers and farm laborers generally?
5. To what extent is the migrant problem the result of Triple-A programs?
6-7. Is it true that the small farmer has been neglected in the Triple-A program?
8. Why not send our surplus city population back to farms?

Inter-Regional and Inter-Commodity Competition

9. Has the Western beef producer been injured by competition from Corn Belt and Southern farmers who have grown more feed and raised more livestock as the result of the Triple-A program?
10. Has the Triple-A helped or hurt the dairy farmer?
11. Has the Triple-A program in the South resulted in increased competition for Northern corn-hog and dairy farmers?
12. Has the farm program helped or hurt the poultry farmer?
13. Has the farm program helped or hurt the producers of vegetables, fruits, and minor crops?

Alleged Inconsistencies in Program

14. Have the Federal irrigation projects of the West been detrimental to the farmers in other regions?
15. Are improved methods, such as hybrid corn, inconsistent with production control?
16. Why should not the United States produce all of its own sugar?
17. If everyone had the money with which to buy, would there still be a surplus of farm products?
18. Why not try to solve the problem of surpluses by finding new uses for farm products?

Conservation of Farm Resources

19. Are we justified in spending public funds for conservation?

Wealth, Debt and Spending

20. Should Agriculture be subsidized?
21. Can we afford to have a Farm Program in view of the public debt?

Foreign Trade

22. Is Triple-A responsible for the losses in foreign trade?
23. Has the Triple-A program invited imports and are farm imports a menace to the American farmer?
24. Will the war lessen the need for a farm program?

Ever-Normal Granary

25. Is the ever-normal granary program threatened by damage to stored grain?
26. Why hasn't the corn loan kept hog prices higher?

Production Adjustment

27. Should farmers adjust production?

1. Is the farmer any better off today than he was in 1932?

Farm cash income up 82 percent, 1932-1939

(Cash income from farm marketings, including government payments for 1939)

Farm Cash Income

1932:	1939:
$4,682,000,000	$8,518,000,000

Farm buying power up 72 percent, 1932-1939

(Farm cash income divided by index of prices paid by farmers for commodities used in living and production, including interest and taxes, 1910-14 base period)

Farm Buying Power

1932:	1939:
$3,901,667,000	$6,759,639,000

Exchange value of farm products up 26 percent, 1932-1939

(Ratio of prices received by farmers to prices paid by farmers for commodities used in living and production, 1910-14 base period)

Exchange Value of Farm Products

1932 = 61 1939 = 77

Farm prices up 43 percent, 1932-1939

(Prices received by farmer, base period Aug. 1909-July 1914)

Farm Prices: Percent of Pre-war

1932 = 65 1939 = 93

Rural retail sales up 102 percent, 1932-1939

(U.S.D.C. index of dollar sales in small towns and rural areas converted to base 1929 = 100)

Rural Retail Sales Index

1932 = 50.5 1939 = 102.1

Agriculture's share of the national Income rose from 6 to 9 percent, 1932-1939

(Agricultural income payments as percent of total income payments in U. S.)

Agriculture's Share of National Income

1932 = 6% 1939 = 9%

Value of farm real estate up 15 percent, 1933-1939

(Index of value of farm real estate per acre, 1912-14 base period, year ending March)

Value of Farm Real Estate, Percent of Pre-war

1933 = 73 1939 = 84

Forced farm sales down 69 percent, 1933-1939

(Forced sale or transfer of farms through foreclosure and other causes, per thousand farms, year ending March)

Forced Farm Sales, Per 1000 Farms

1933 = 54.1 1939 = 16.8

Farm bankruptcies down 76 percent, 1933-1939

(Number of farm bankruptcies, year ending June 30)

Farm Bankruptcies

1933 = 5,917 1939 = 1,422

Farm mortgage debt down 23 percent, 1932-1939

(Estimated as of January 1)

Farm Mortgage Debt

1932 = $9,214,004,000 1939 = $7,070,896,000

Farm income, percent of parity, rose from 34.2 to 76.8 percent, 1932-1939

(Index of per capita farm income available for living divided by index of per capita non-farm income available for living, 1910-14 base period)

Farm Income as Percent of Parity

1932 = 34.2% 1939 = 76.8%

2. What are some of the things Triple-A has accomplished in seven years?

During the last seven years, the AAA Farm Program has faced a variety of emergency problems. These have successively included staggering surpluses, drought of an unprecedented degree, the recasting of the farm program following the Supreme Court decision of 1936, the accumulation of new surpluses under the 1936 and 1937 programs, the administration of new legislation in 1938, and at present war in Europe. Likewise, because the 1938 winter wheat crop had been seeded months before the 1938 legislation was enacted, the present farm program was in complete operation for the first time in 1939. Yet American agriculture has made a tremendous recovery during this period; its progress is reflected in many ways:

<u>In a nearly doubled cash farm income</u>.

<u>In a great united effort to save the Nation's soil resources</u>.

<u>In the establishment of an Ever-Normal Granary of reserves for the mutual protection of producers and consumers</u>.

<u>In the development of a workable farm program in which more than 6 million farmers -- operating 82 percent of the Nation's cropland -- are co-operating in 1940</u>.

<u>Soil conservation</u>. Nearly six million farmers participated in the 1939 Conservation Program which covered 80 percent of the nation's cropland. Estimates for the 1940 Program indicate a participation of more than 6,000,000 farmers on 82 percent of the cropland in this country.

The 1938 Agricultural Conservation Program covered 320,693,478 acres of cropland, representing nearly three-fourths (72.5 percent) of the nation's cropland. This acreage is equivalent to the entire area of 14 states--all of the states of the Atlantic Seaboard from Maine to Florida and all of the New England States, plus New York, Ohio, Pennsylvania, and West Virginia. The remaining cropland acreage in the United States, not covered by the Program, is about equal to the area of 4 states--Kentucky, Indiana, Illinois, and Wisconsin.

Singling out just one of the soil-building practices carried out under the 1938 program, the 392,036,000 linear feet of terracing would reach around the earth at the equator twice and then all the way around the earth through the North and South Poles besides.

In addition to the Agricultural Conservation Program on 320,693,478 acres of cropland, the 1938 Range Conservation Program covered 189,851,257 acres of pasture and grazing land in the Western States.

Conservation payments under the 1938 program amounted to $464,832,875.44, including county association expenses. The average payment was $84.53. About 80 percent of the payments were less than $100.

Consumer Protection -- Through the reserves of corn and wheat built up in the AAA Ever-Normal Granary consumers are protected against the scarcity and high prices which have regularly accompanied periods of drought and short crops in the past. Reserves of corn -- the raw material from which our meats, eggs, milk and other dairy products are produced -- in the past have amounted to only 7 percent of a normal year's production. In the drought years of both 1934 and 1936 corn production fell off nearly 40 percent. Meat prices skyrocketed and consumers suffered great hardships. Now, with the help of loans, farmers have created an Ever-Normal Granary of corn reserves amounting to more than 20 percent of a normal year's crop. Wheat farmers, with the help of the wheat loan and the crop insurance program, are doing the same.

Crop Insurance -- Under the wheat crop insurance program, farmers are assured as high as 75 percent of their normal crop. Premiums paid in wheat over a period of years will just about equal crop losses. In 1939 about 165,500 wheat farmers took out crop insurance, and in 1940 about 380,000 are being protected by this insurance.

Gains in price and income for all of the principal farm commodities show that the National Farm Program is achieving substantial results:

Wheat -- According to preliminary estimates, wheat farmers received 539 million dollars cash income in 1939, including about 142 million dollars in Government payments. This was 169 percent more than the 1932 amount of 200 million dollars. In the fall of 1939 wheat prices were 30 to 35 cents per bushel above their usual relationship to world levels.

Corn -- Farm cash income from corn, including an estimated 152 million dollars in Government payments, was 477 million dollars in 1939, compared with only 110 million dollars in 1932. The season's average price of corn was about 56 cents per bushel in 1939 and only 32 cents in 1932.

Cotton -- The cash income of cotton producers in 1939 was about 826 million dollars, including Government payments estimated at 217 million dollars. In 1932 cash income from cotton marketings was only 461 million dollars. The 1939 season's farm price of cotton has been averaging about 9 cents a pound compared with only 6-1/2 cents in 1932.

Tobacco -- Cash income from tobacco has more than doubled in seven years, rising from 115 million dollars in 1932 to 271 million dollars in 1939, including about 7 million dollars in Government payments.

Dairy Products -- Dairy farmers had 37 percent more income in 1939 than in 1932, the increase being from 991 million dollars to 1,355 million dollars.

Meat Animals -- Cash income from the marketing of meat animals rose 95 percent, from 1,158 million dollars in 1932 to 2,262 million dollars in 1939.

3-4. Has not the Triple-A program injured sharecroppers and farm laborers generally?

Agriculture had a sharecropper and tenancy problem long before the days of AAA programs. The AAA, by focusing national attention on all agricultural problems, has helped to show up existing conditions regarding the sharecropper and tenant.

The AAA promotes soil conservation and improves the general level of farm income. Sharecroppers and tenants benefit directly from both, and farm laborers benefit indirectly. In general, the AAA has not hurt sharecroppers and farm laborers; neither has it been able to help them to the extent that it is desired. The AAA cannot be held responsible for a solution of the problems of tenancy and population pressure on the land because other programs and not AAA are designed for this purpose. There can be no solution of those problems, however, without conservation and a fair farm income level and AAA has made notable progress in these lines.

Proportionately larger, AAA payments to small producers offset in part advantages large producers have in lower production costs, such as fuller utilization of man, horse and machine power.

There have no doubt been instances where a large land holder, diverting acreage from cultivated crops to conserving crops which require less man and horse power, has found it advantageous to reduce the number of tenants on his land. Some of these cases may be justifiable. However, the AAA has tried to prevent it as much as possible. Legal safeguards have been written into the farm legislation to protect sharecroppers and farm laborers.

One provision of the Act reads, "Any reduction in the number of tenants ... that would increase the payments or grants of other aid ... made to the landlord shall not hereafter operate to increase any such payment or grant to such landlord. Such limitations shall not apply if on investigation the local committee finds that the change is justified and approves such change in relationship or reduction."

This does not mean that the Department may arbitrarily insist that the same individuals be kept on a farm, but it does mean that a landlord may not change his usual relation with his tenants and receive a greater share of the Government payments, unless such change is justified and is approved by the county committee.

The humanitarian aspects of the sharecropper problem has overshadowed some of the causes. The problem has been intensified in recent years by rapid mechanization of farming. The AAA is not responsible, but through its efforts to conserve land and maintain income is laying the foundation on which solutions can be built.

5. To what extent is the migrant problem the result of the AAA programs?

In general, the migrant problem is the result of a "sick" agriculture and its subsequent effects upon industrial employment.

Provisions of the Agricultural Adjustment Act itself specify that landlords may not reduce the number or status of the people on their land in order to claim a greater share of the AAA payment. However, as none of our laws are "break-proof", the displacement of some individual tenants, sharecroppers, or laborers may have occurred under the AAA program. Where the landlord and tenant are cooperators in the AAA program, the AAA has aimed in all cases to protect the tenant and sharecropper. Of course, the AAA is without authority to do anything if the landowner is not cooperating in the program.

Most of the migrant families were once small farmers--owners or tenants--in the middle western or plains states. In the early Thirties, population began to back up on the land. Thousands of farm young people who normally would have moved to cities stayed on the farmsbecause the industrial depression had shut down jobs. Many of the city's unemployed went back to the land. These contributed to "surplus" farm population, and swelled the number of migrants. Many were driven out of the "dust bowl" by the extreme droughts of 1934 and 1936. Others lost their farms in the early days of the depression, and still others came from land worn out by decades of erosion and bad land use.

Many thousands of additional families, mostly tenants, were "tractored out"--pushed off the land by the growing mechanization of agriculture. All through the Southern Great Plains and the Mississippi Delta, small tracts operated by tenants and mule-power were being combined into large farms, run with tractors and seasonal day-laborers. A few of the displaced tenants have been able to find jobs in industry, but most of them have taken to the road in search of temporary work in the big commercial farming areas. It has been estimated that each tractor replaced from one to five tenant families.

Efforts to halt unnecessary migration are being made by the Farm Security Administration which has helped more than a million needy farm families get a new start in their own communities. Under the Bankhead-Jones Farm Tenant Act, the F. S. A. is making loans to tenants, sharecroppers and farm laborers to help them buy farms of their own, and many more families are being helped to get a new foothold on the land through the rehabilitation program.

The success of the AAA in restoring farm income and thereby increasing employment in the cities has helped check a possible migrant problem of much more serious proportions than the one we now face.

6-7. Is it true that the small farmer has been neglected in the Triple-A program?

Far from being neglected, the small farmer has been given special consideration under the Agricultural Adjustment Act of 1938. With 93 percent of the participating farmers earning payments of less than $200 and all but 13 percent of these receiving less than $100, a scale for proportionately increasing small payments was set up, and fixed by the Act. The schedule is:

Payment earned	Amount of increase
$20 or less.............	40 percent
$21 to $40..............	$8 plus 20 percent of amount over $20
$41 to $60..............	$12 plus 10 percent of amount over $40
$61 to $186.............	$14
$186 to $200............	Enough to increase payment to $200

These provisions apply to all farmers making application for payment, whether tenant, sharecropper, or owner.

When marketing quotas are in effect, special provisions in the Agricultural Adjustment Act of 1938 benefit the small producer.

For example, a producer may market free all the wheat grown on his farm during the year if the normal production of the acreage planted is less than 200 bushels, all the corn grown on his farm during the year if the normal production of the acreage planted is less than 300 bushels, and all the cotton grown on his farm during the year if he has an acreage allotment and the actual production during that year is 1,000 pounds or less of lint cotton.

Tobacco producers may market free the actual production of their acreage allotments. The acreage allotments of small producers (except new producers) are increased up to 20 percent, but not beyond an acreage which would normally produce 3,200 pounds of flue-cured tobacco, or 2,400 pounds of other kinds of tobacco.

Before the AAA farmers had no way of adjusting their acreages to demand, and the small producer was "squeezed" in the maladjustment. Under the Agricultural Adjustment Act, with more than four-fifths of the farm land under the program, small farmers and others expand and decrease production together. Adjustments are made on a national basis to help balance production with what the market will take, and at prices neither sky-high nor disastrously low.

The small farmer has equal rights with the large-scale operator in saying what the national agricultural policy will be. In voting in program referenda, each producer has one vote regardless of his total acreage or production. Each farmer who cooperates in the program automatically becomes

a member of the local county agricultural conservation association and has the right to vote in the election of community committees and of delegates to the county convention, where the county committee is elected. These committees administer the program locally and have a direct influence on the formulation of farm programs.

8. Why not send our surplus city population back to farms?

The number of people on the land has represented a steadily decreasing percentage of the total population. In the early days nearly everyone lived on the land. By 1930 the number of people on farms amounted to about 24 percent of the total population. If this trend had continued its normal course, only about 19 percent of the total population would now be on farms. And although 19 percent of the total population could produce all the agricultural products needed, the indications are that there has been little change since 1930 and that about a fourth of the population of the nation still lives on the land.

In other words, under normal conditions, about 6 million farm people would have found opportunity in the city. Of these 6 million people, 1-1/2 million are men who are potential workers, with little or no opportunity for work. There are no jobs for them in the cities and they are not needed on the land.

This is agriculture's unemployment problem. It is related to the city unemployment problem, as well as to the other fundamental problems of agriculture. Had these 6 million people found opportunity in the city, they would have helped to increase the production of city goods in keeping with the increase in abundance produced by agriculture and they would have helped to create a larger city market for farm products. They would have relieved the pressure on soil resources and would have made less difficult the problem of excess production. They would have contributed to better balance in the purchasing power of farm products.

9. Has the Western beef producer been injured by competition from Corn Belt and Southern farmers who have grown more feed and raised more livestock as a result of the Triple-A program?

For the last 50 years beef cattle numbers have moved up and down in cycles which have covered roughly 15-year periods. Aside from these cycles there has been only a slight increase in beef cattle.

In the western States the cycles reached their peaks in the middle 1880's, the early 1900's, the latter 1910's and in the early 1930's. The general trend in numbers in this region over the period has been upward while the trend for other States has been slightly downward.

The downward swing of the cycle which began in 1934 was accelerated by droughts which occurred over a large part of the Middlewest and West. Since 1938, however, cattle numbers have shown substantial increases, although, because of the continued drought conditions in the country west of a line from the eastern Dakotas to eastern Texas, the increase in the western States has not been as rapid as in other parts of the country.

In spite of the greater severity of the drought in some regions of the United States, the percentage of beef cattle in no AAA region has varied by as much as 3.5 percent in the last 20 years.

Variation in the percentage of the total cattle in the United States in the various regions during the 20-year period follow: Western, from 27.4 to 30.5 percent; North Central, 33.2 to 36.8 percent; East Central, from 5.1 to 6.1 percent; Southern, from 25.5 to 28.7 percent; and Northeast, from 3.1 to 4.2 percent.

Under the conservation programs surplus cash cropland has been shifted to grass, but experience has shown that corn or cottonseed will make more pounds of beef than will hay. An Iowa experiment several years ago showed that acreage in forage crops, with the exception of alfalfa, produced a smaller number of feed units than corn. There has been nothing to indicate any material change in the markets for western feeder cattle as a result of the program. For example, the recent increase in beef breeding cattle following the drought years is about the same in the Corn Belt as in the West.

The Agricultural and Range Conservation Programs are programs for better ranching and farming, working toward the improvement of local conditions in widely separated sections of the country as well as toward a permanent prosperity for the Nation as a whole. The program is not designed to bring about any shifts of production between sections, nor to hinder changes that otherwise would occur.

10. Has the AAA helped or hurt the dairy farmer?

The adjustment of dairy production to demand is a slow process, since changes in dairy cattle numbers cannot be made quickly. But dairy farmers, aided by the broad Federal program, have come farther than almost any other farm group in recovering from the business depression and the agricultural overexpansion of the late 1920's.

Farm prices of dairy products have been substantially higher than the average farm prices for all farm commodities throughout 1939 and so far in 1940. And dairymen have improved their incomes without making the drastic adjustments in production necessary for corn, wheat, and cotton farmers.

In March 1940, farmers were paying only 89 percent of the pre-World War average for feed grains fed to dairy cows, while receiving 111 percent of the pre-war average for dairy products. For all farm commodities prices received by farmers averaged only 98 percent of the pre-war period.

Through its contributions to better incomes on the farms of the United States generally, the AAA Farm Program has contributed to this improvement in the incomes of dairy farmers. No other agricultural group is more greatly dependent on the purchasing power of consumers. And prosperous farmers, able to buy tractors and automobiles, roofing and paint, fencing and lumber, provide increased buying power in the cities, among the workers who use the dairy products of the farm. Thus, it is probably more important to dairymen than to any other agricultural group that the purchasing power of farmers in 1939 was 72 percent greater than it was in 1932 and practically equal to the 1929 peak.

The increase in the incomes of farmers further aids the dairy farmer by protecting him against competition from other types of farmers. Grain, livestock, and cotton farmers do not want to go into dairy farming -- through training, equipment, and natural advantage each group has its specialty -- but they will go into dairying if their normal means of making a living goes back on them. So, as it has improved the income of the grain farmer, the corn-hog farmer, and the cotton farmer, the AAA Program has reduced the amount of competition that threatens the established dairyman.

Many of the programs of the Department of Agriculture have helped the dairyman toward the conditions he desires -- increased demand for his products, improved methods of distributing them, and greater stability of feed grain supplies and prices. Through acreage allotments, which prevent wasteful overproduction, and commodity loans, which protect farmers against shortage of feed grains, the AAA Program is bringing about that stability of feed supplies and prices that is vital to the welfare of dairy farmers.

Acreage allotments and the Ever-Normal Granary, too, have made possible the conservation way of farming now being practiced more widely than ever before in the nation's history. By-products of conservation farming are abundant supplies of soil-conserving hay and grasses that have kept the nation's supply of feed per grain-consuming animal at pre-drought levels. Abundant hay supplies mean greater dairy efficiency.

Through a program of marketing agreements undertaken under the Agricultural Marketing Act of 1937, the Department of Agriculture seeks to promote orderly marketing of many perishable agricultural commodities, including fluid milk. These agreements provide minimum prices handlers may pay farmers for milk of specified grades, and otherwise protect milk producers.

Since 1933, the Federal Surplus Commodities Corporation has purchased more than 500,000,000 pounds of milk, butter, and cheese for distribution to families on relief. Practically all of the larger cities of the country now work with the FSCC in special programs for distribution of milk to relief, WPA, and other low-income families. Dry skim milk, evaporated milk and butter are among the foods distributed under the FSCC school lunch program, which during the 1939-40 school year served 3,000,000 undernourished school children. Butter has been listed as a surplus food ever since the stamp plan for surplus distribution was established.

Another means of improving the dairyman's market is the Ever-Normal Granary for butter, carried on since 1937 by the Dairy Products Marketing Association. The DPMA makes purchases of surplus butter, stores the supply, and releases it in commercial channels as the market is prepared to absorb it.

Through research work being carried on at four regional laboratories, the AAA is developing new uses for farm products that may mean a further increased demand for dairy products.

Through government sponsorship and financing of State agencies, the Department has been responsible for great strides that have been made in eliminating Bang's disease and bovine tuberculosis from dairy herds in recent years, further increasing the efficiency of the dairy farmer.

11. Has the AAA program in the South resulted in increased competition for the Northern corn-hog and dairy farmer?

Here, briefly, is the answer:

The gradual increase in Southern production of corn, hogs, and cattle is a result of more diversified farming. It began long before there was an AAA program. The South needs more livestock products for home consumption to improve living standards. So far as products for sale are concerned, smaller cottonseed production has offset relatively slight increases in Southern corn and livestock production. Total acreage allotments of Southern farmers keep their corn acreage near normal levels. The South now produces fewer hogs than it did during every year from 1908 to 1922 and fewer cattle than it did during the 1931-1935 period, before the present Agricultural Conservation Program began.

Following is more detailed information on the South's food and feed needs, cottonseed production, corn production, AAA corn regulations in the South, hog production, and cattle production:

The South's Needs: Southern farm families have long concentrated on the production of cotton to the exclusion of feed crops and livestock which they badly need for home use. Today, one-fifth of the farm families in the South do not have even a single cow. The South is deficient is meat products which are necessary to health. Its farmers cannot hope to purchase those products from the Corn Belt. If they fail to produce them on their own farms, they simply do without them.

Reduced Cottonseed Productions: A considerable increase in Southern feed production is warranted. The South has removed about 15,000,000 acres from cotton production. This has decreased the supply of cottonseed available for use as livestock feed. It would take around 8,000,000 acres of corn in the South to produce as much livestock feed as is represented by the reduction in cottonseed production.

Not only does cottonseed produce livestock feed, but about 80 percent of it is crushed to produce cottonseed oil, which, in the form of vegetable cooking oils and oleomargarine, competes directly with the Corn Belt farmer's lard and butter. The average acre of cotton yields about 50 pounds of cottonseed oil. So, while Southern farmers produced about 300,000,000 pounds more of hogs in 1939 than in 1933, they took about 15,000,000 acres of cotton out of production which on the average would have produced around 600,000,000 pounds of cottonseed oil. Such a reduction in cottonseed oil is equivalent to the lard production of about 20,000,000 hogs of 200 pounds each, while the actual increase in Southern hog numbers from 1933 to 1940 was only about 1,000,000 hogs.

Corn Production: Corn production in the 1940 commercial corn area averaged 1,604,000,000 bushels in the five years 1929-33, and averaged 1,688,000,000 bushels in the two years 1938 and 1939. In the 12 Southern States of Alabama, Arkansas, Florida, Georgia, Mississippi, Louisiana, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia, corn production in 1938 and 1939 averaged about 470,000,000 bushels, compared

with a 1929-33 average of 442,000,000 bushels. This increase of 28,000,000 bushels is, of course, insignificant in terms of Corn Belt production. In such States as Iowa and Illinois, this amount of corn is produced in four counties or less. For the non-commercial corn area as a whole, corn production during the 1929-33 period was 898,000,000 bushels. In 1938 and 1939, it averaged only 902,000,000 bushels.

In the 12 Southern States the 1939 average corn yield was 14.1 bushels per planted acre, compared with 14.9 bushels during 1929-33. At the same time, the national average corn yield increased from 23.7 bushels to 28.6 bushels, while in the commercial corn area the average yield increased from 29.3 bushels to 40.7 bushels.

AAA Corn Regulations: Corn allotments are computed only in the commercial corn area, since about 65 percent of the Nation's corn is produced in that area. To administer the corn program nationally would involve administrative difficulties and expenses that seem wholly unwarranted in the South and similar areas where corn is and always will be a minor crop. With its thin, light soil, the South can never be expected to compete commercially with the Middle West in corn production. Cooperating farmers in these minor producing areas do not have corn allotments, but they must plant within total soil-depleting allotments. This serves to prevent expansion of Southern corn acreage above normal.

Hog Production: On January 1, 1940, there were approximately 9,000,000 more hogs on farms in the United States than on January 1, 1939. The Corn Belt States supplied an increase of 6,815,000 head. The State of Iowa alone increased its hog numbers by 1,472,000 head during 1939. The 16 States of the Southern and East Central Regions supplied an increase of 1,683,000 head. In the Corn Belt, hog numbers increased 22 percent in 1939, while Southern farmers made an increase of only 11 percent. Hog numbers in the South the last few years have been less than during periods in the past when cotton prices were about equal to the present. Since 1932, Southern hog numbers have never been as high as they were during all the years from 1908 through 1922.

Cattle Production: Peaks of cattle numbers are reached at intervals of 12 to 15 years, which is the normal cattle cycle. Like the corn-hog cycle, this is influenced by changes in the supply and price of feed. The peak of Southern cattle numbers, climaxing an upswing of production that began many years before the AAA program was enacted, came in 1934. This was before the Soil Conservation and Domestic Allotment Act was passed and, therefore, was before the number of cattle on farms could have been affected by the program.

The average number of cattle on farms in the 16 States of the Southern and East Central Regions for the five years 1931 to 1935 was 20,835,000 head. In 1939 and 1940, the number of cattle on farms in the same States was 20,692,000 and 20,831,000 head, respectively. There has been only one year since 1935 when the number of cattle on farms in the South has equalled the average number on Southern farms for the five years 1931 to 1935.

12. Has the Farm Program helped or hurt the poultry farmer?

Prices of chickens and eggs and the income from these products are closely related to the income of industrial workers. Decreased income from chickens and eggs followed the steadily decreasing income of industrial workers between 1929 and 1932, and, when incomes of industrial workers began rising in 1933, the cash income from chickens and eggs likewise advanced.

Poultrymen are now suffering from cyclic overproduction. The number of hens on farms has moved in fairly regular 3-year cycles since 1927 reaching peaks in 1927, 1930, 1933, 1936, and 1939. In addition, since 1936 there has been a marked upward trend in the number of eggs laid per 100 birds.

Effects of the Farm Program

1. Higher Farm Income under AAA Means Increased Poultry Sales.

In 1939, farmers had 82 percent more cash income to spend than in the depths of the depression. This increased farm buying power resulted in sharply increased industrial activity which in turn was reflected in increased sales of poultry products.

2. Stable Feed Prices Under the AAA.

Under the Ever-Normal Granary provisions of the AAA, wide fluctuations in feed grain prices are avoided. Steady grain prices are an advantage to the poultryman, because high prices increase production costs and extremely low prices not only stimulate production on poultry farms but also bring competition from farms and areas that do not normally produce poultry products.

3. Surplus Removal Programs Stabilize Prices.

(a) The Federal Surplus Commodities Corporation has purchased eggs at the seasons of heaviest surplus production. In conducting a purchase program, the primary aim is to improve returns to poultrymen for all their eggs rather than to improve returns only to the extent of the buying operations. From July 1, 1939 to June 3, 1940, the FSCC purchased 1,374,000 cases of eggs at a cost of six and one-half million dollars.

(b) Beginning in the spring of 1939, the Stamp Plan has operated to remove surpluses and at the same time to combat malnutrition in low-income families. By June 1940 the Plan was approved for 90 cities, 74 of which now have it in actual operation. Eggs have been on the list of surplus commodities approved under this plan since it began and have represented about 25 percent of the total purchases.

13. Hs the Farm Program helped or hurt the producers of vegetables, fruits, and minor crops?

Between 1919 and 1936 the average annual increase in the acreage of vegetables was 107,622 acres, or 8.5 percent per year. Between 1936 and 1939 the acreage decreased an average of 75,957 acres per year, or 2.5 percent annually.

Features of the Triple-A Program which contributed to the checking of this rapid rise in vegetable acreage include, (1) the improvement in farm prices removing the necessity for general farmers turning to vegetables as an additional source of income, (2) the 1936 and 1937 AAA programs reducing the acreage of soil-depleting crops, and (3) the inclusion of vegetable allotments in the 1938 and 1939 programs.

Other Benefits to Fruits and Vegetables

Under the AAA, total cash income of farmers has been greatly increased. In 1939, farm income was 82 percent higher than in the depths of the depression. This increased farm income was reflected in an increase in rural retail sales of 102 percent from 1932 to 1939, farm machinery sales 391 percent higher in 1939 than 1932, fertilizer sales 75 percent higher, and automobile sales in farm states 184 percent higher. This increased farm buying power put back to work many thousands of factory workers and provided improved markets for fruits and vegetables.

Also, growers of both fruits and vegetables have benefited from the use of soil-building practices. Cover crops, green manure crops and mulching have been of particular interest to them.

Fruit and vegetable marketing agreements have been used by the growers of certain fruits and vegetables as a means of stabilizing marketing conditions.

The Federal Surplus Commodities Corporation has operated in several markets to stabilize prices. Apple purchases have been made in each of the past five years and over nine million bushels of apples were purchased from the 1939 crop. Vegetable purchases were made in 1939 at farmers' markets in an attempt to absorb the quantity in excess of the daily market requirements. FSCC purchases were distributed to relief agencies, public institutions, and for school lunches.

The Stamp Plan has had certain fruits and vegetables on its approved list of surplus commodities, the exact list varying with the seasonal surpluses of each commodity. In the winter months fruits and vegetables have accounted for about 22 percent of total purchases, with this amount increasing to about 30 percent in the summer months.

14. Have the Federal irrigation projects of the West been detrimental to the farmers in other regions?

In 1938, after the Federal Government had been building reclamation projects for 36 years, all of them authorized before 1933, the land in crops receiving water from Federal enterprises totalled about 3,030,000 acres, or less than 1 percent of that year's harvested acreage. Included in this figure were 1,254,800 acres already irrigated by private projects which merely purchased additional water from Federal storage reservoirs under provisions of the Warren Act.

Regarding the future, the Bureau of Reclamation recently released data showing that about 1,000,000 acres of additional lands are expected to be brought under irrigation by 1948 by Federal reclamation projects now under construction or which have been under construction during the past four years. After 1948, the Grand Coulee will continue to bring under irrigation about 50,000 acres annually until the project is complete, probably in 1964.

Further, when all this land - projects in Imperial Valley, Central Valley of California and the Grand Coulee, etc. -- is under irrigation with average management and yields, it should add less than an additional three-fourths of one percent to our annual harvested crop values in the United States.

In 1938, the value of crops harvested from Federally irrigated acres totalled $67,859,804. This was less than one and one-half percent of the Nations's total farm value of principal crops which in that year totalled nearly $5,000,000,000.

15. Are improved methods, such as use of hybrid corn, inconsistent with production control?

The use of more efficient methods has always been encouraged by the AAA Farm Program; it is one way to a greater farm income.

Within the last few years a great increase has occurred in the use of hybrid seed corn which, along with various other factors, has been responsible for considerably increased yields. To some people, it seems inconsistent for farmers to plant smaller acreages and at the same time to strive for higher yields. It is argued that in doing this farmers are defeating their own program.

This argument is not sound. In planting hybrid corn, improving his soil, and using other means of increasing his yield, the farmer is simply taking advantage of more efficient methods with which to lower his per unit cost and increase his income. Increasing farm income is one of the three main objectives of the AAA farm program.

Likewise, being able to produce the same number of bushels on fewer acres makes it possible for the farmer to seed down a larger part of his farm to grasses and legumes to carry out soil-building practices, and to increase the value of his land. That is the way in which he takes advantage of the more efficient methods which come with technological advancement.

Industry has always done this. Our manufactured goods could probably, in most cases, be produced in plants and with equipment of the same type that were being used 10 years ago. But no one suggests using such outmoded and expensive methods. More efficient methods and machinery have taken their place. Even though these new production units may operate at only a small percent of their total capacity, they operate with greater efficiency, giving the consumer a better product at a cheaper price and the manufacturer an improved income.

Farmers seek the same ends using the recent improvements in their own field.

16. Why should not the United States produce all its sugar?

Sugar-producing areas under the United States flag today contribute 71 percent of our annual sugar needs. If we attempted to produce the remaining 29 percent, the following results might be expected: (1) further reduction of foreign markets for our surplus products; (2) economic chaos in Cuba and injury to other American republics; (3) increased cost to American citizens of protecting the domestic sugar industry; (4) harm to the eastern seaboard communities of the United States which have a cane sugar refining industry.

The term "United States," to most people asking this question, means continental United States which, under the sugar program, supplies about 30 percent of our sugar requirements. These persons repeatedly ask why so small a proportion of the total consumption is allotted to the "United States." However, the term "United States" must include necessarily the Territory of Hawii, Puerto Rico, and the Virgin Islands, since these offshore areas are component parts of the United States. These three areas, which are economically dependent upon sugar production, may together supply more than 25 percent of our sugar needs. To discriminate against them would, as the President has expressed recently, be "tantamount to an imperialistic classification of citizens and a tyrannical abuse of minority rights that is utterly contrary to the American concept of fairness and democracy."

Persons asking the question also overlook the fact that the Philippine Islands, which for many years have brought sugar here duty-free, are also under United States sovereignty. The United States has an agreement with the Commonwealth of the Philippine Islands, embodied in an act of Congress, under which the Philippines are guaranteed the right for a certain period of years to bring approximately 980,000 short tons of sugar, raw value, into the United States without payment of duty. The Sugar Act guarantees these Islands 15.45 percent of our sugar market.

The remaining 29 percent is supplied almost entirely by Cuba. The United States, for trade and hemisphere defense reasons, has a strong interest in the well-being of the neighbor republic and one of the purposes of the sugar program, as President Roosevelt said in 1934, is to promote the economic rehabilitation of Cuba. That is why Secretary Wallace, when testifying recently before the House Ways and Means Committee, said that

> "Cuba's economic welfare is part of the policy of the State Department, and I think rightfully so. I think any manifest injustice done to Cuba reflects in our Pan-American relations. I think any injustice done to Cuba at the present time reflects very fundamentally on our future welfare in this hemisphere."

Cuba has long been one of our most important foreign markets. During the period 1925-30, when the Island furnished 43 to 53 percent of our sugar (compared with today's 28.60 percent), our exports to the neighbor republic averaged well over $100,000,000 annually. However, when at the request of the domestic sugar industry, the tariff on Cuban sugar was boosted by the Smoot-Hawley Act in 1930 to the highest point in almost sixty years, and a

drastic decline in imports of Cuban sugar set in, the Island's purchases of our products also dropped sharply, falling to $24,763,000 in 1933. Since the passage of sugar quota legislation in 1934 assuring Cuba a definite share of our sugar market and since the reciprocal trade agreement with that country in the same year, the value of our exports of farm and factory products to Cuba has risen sharply, reaching $81,000,000 in 1939. Cuba today is our most important foreign market for rice and our second best export outlet for lard. Between 1933 and 1939 our exports of rice to Cuba rose from 4,785,000 to 209,253,000 pounds, and those of lard from 10,908,000 to 55,431,000 pounds.

Besides domestic exporters of agricultural and industrial products, the century-old domestic refining industry in eastern United States has an important stake in our trade not only with domestic insular areas but also with Cuba. The livelihood of this industry and of the workers employed by it is dependent on the volume of raw sugar brought into the United States.

At the present time the domestic sugar industry is protected by a program of marketing and quota controls, tariff and federal payments. As a result American citizens usually pay between 200 and 300 million dollars in excess of the admittedly low world sugar price for their annual requirements. Each additional ton of sugar produced in the United States under the present sugar program means a further outlay by the United States Treasury of $12.00 per ton in the form of conditional payments and a decline in revenues of not less than $18.00 per ton in customs duty on foreign sugar, a total of $30. On this basis, if all the foreign sugar we are importing in 1940 were produced here instead, the cost to American citizens of protecting the domestic sugar industry would be increased by about $57,000,000.

It is also important to bear in mind the possibility that if the United States were to produce its total requirements, sugar producers would be threatened constantly by the probable necessity of selling surpluses in the unprotected world market where a price level of approximately 1¢ per pound has prevailed for the past decade. The existence of such surpluses would probably force domestic sugar prices downward into closer relation with world prices. Moreover, even under conditions as they now exist, expanded beet sugar production, as an increasing number of members of the beet sugar industry are beginning to recognize, has created marketing problems of a very real nature and has tended to reduce net revenues from the sale of such sugar.

17. If everyone had the money with which to buy, would there still be a surplus of farm products?

If everyone had money with which to buy, the surplus problem would not be so great but there would still be surpluses of certain crops, such as wheat and other cereals. The American farm plant has the capacity to produce more than its people can use and more than can be sold abroad. Had production been continued at the rate of the years just before 1933, even though every hungry person in the United States had been well fed there would still have remained a surplus of farm goods.

Studies by the Department of Agriculture have shown that if all our people ate as much dairy, poultry, fruit and vegetable products as they need to be in good health, there would be no problem of farm surpluses in these foods. But two things would need to take place to do that -- a change in food habits of many millions of people and an increase in the buying power of low-income families.

However, the farmer cannot afford to produce for people who cannot afford to buy. In other words, the farmer cannot bear the burden alone of providing an adequate diet for the Nation.

Dietitians estimate that total per-capita food consumption would be increased by about 10 percent over the 1920-29 level if lower income could be raised enough so that everyone would have a fairly adequate diet. However, this would not solve the surplus problems of wheat and many other farm commodities. Also it would mean a change in food habits. Even with that, if every person had the money with which to buy, there would still be surpluses of certain foods. Consumption of certain farm products remain fairly stable regardless of income, while purchases of other items rise and fall with increases or decreases in income. Wheat, for instance, is the most important item in the diet for low-income families whereas fruit takes predominance in the upper-income levels. Wheat is one of the staple crops in which burdensome surpluses often pile up, and the amount of wheat consumed remains fairly stable regardless of price and consumer income. But as incomes go down, purchases of fruits and vegetables decrease and surpluses pile up.

18. Why not try to solve the problem of surpluses by finding new uses for farm products?

Recognizing the importance of research in the development of new uses for farm products, the Congress in writing the Agricultural Adjustment Act of 1938 provided for the establishment of four research laboratories. Work is already going on in these laboratories. Science can do much to expand the market for farm goods, and the Department of Agriculture has pioneered in this field for many years.

At one time cottonseed was considered merely a waste. Then science found a way to process the seed to recover cottonseed oil, and a product of great usefulness to both agriculture and industry was developed, totaling in commercial value about 100 million dollars a year.

But new uses cannot take care of all the surpluses. For that matter, new uses may even work against agriculture, or some branch of it. The development of the cottonseed oil industry meant new adjustments in connection with lard. Cotton growers are hurt by the competition from rayon and may be hurt more by the new synthetic fabric, nylon, which is now on the market.

There are chronic surpluses of certain crops, and the intent is to focus the research work of the new laboratories primarily on these crops. The agricultural surplus problem is not static, and plans should not be made on the assumption that it will remain fixed and unchanged. The research program cannot by itself solve all of agriculture's economic problems.

19. One we justified in spending public funds for conservation?

Conservation of soil resources is vital to national defense. During and following the World War American farmers had to plow up 40 million acres of new land, but today the National Farm Program has made it possible to supply food for any conceivable emergency without such ruinous soil-mining. About 30 million acres have been taken out of soil-depleting crops. While this acreage has been given a much-needed rest, farmers have been producing an abundance on about 270 million acres instead of the 300 million acres formerly planted to soil-depleting crops. Adequate reserves of all basic commodities are on hand, and commodity loans have enabled farmers to store excess supplies of cotton, corn, wheat, and other products in an Ever-Normal Granary.

If the international situation should require American farmers to supply more food and fibre, it could easily be done through the greater efficiency of operation that has been stimulated under the AAA. And if the world crisis should cut off American farm markets even more drastically than it has already, farmers now have a National Farm Program enabling them to prevent ruinous surpluses from piling up.

Conservation is the backbone of the AAA and is as much a part of national defense as our army and navy and air force. Preparations for the security of the United States can be appraised only in terms of what it takes to maintain the nation, now and in the future. It would be as fatal to sabotage conservation by false economy as it would be to sabotage airplane output or the construction of naval vessels.

Even apart from emergencies created by the war, conservation is a solemn obligation to future generations. Today we are taking from the land fertility that has been stored up through the centuries. We owe it to America's future to put back into the land enough soil fertility so that the nation can live abundantly in years to come.

Conservation is a national concern. An individual farmer cannot be expected to refrain from cultivating eroded land, or to spend money on soil-building practices, if his neighbors plant crops right up to the doorstep regardless of damage to the soil. When dust from the western plains is blown as far as the Atlantic Seaboard, it is obvious that the job of conservation needs to be done by all the people in the United States.

Conservation is an expense for the farmer which he cannot be expected to incur without help. In general, erosion is at its worst on low-income farms. To tackle the problem of depleted soil at its source requires funds from the Federal Government as well as greater income for individual farmers.

People cannot live without productive land any more than they can breathe without air. In the past there seems to have been an assumption that land was as inexhaustible as the air. But erosion has already ruined or seriously damaged an area equal to the acreage on which we normally harvest crops, and even today we are taking more from the soil than we are putting

into it. The continued loss of soil fertility is as serious as if the atmosphere about us were constantly disappearing.

Last year 1/2 billion dollars in conservation funds were spread over a program covering more than 80 percent of the nation's cropland and 70 percent of the privately owned grazing and pasture land in the United States.

In a sense, conservation payments compensate farmers for only about one-fourth of the contribution they have been making to consumers annually. By supplying an abundance of food and fibre at below-parity prices, farmers have been subsidizing the nation at the rate of about 2 billion dollars a year for the past ten years.

Payments to farmers for conserving the soil serve a double purpose. Besides compensating farmers in part for their annual deficiency in income, they pay rich dividends to the nation by storing potential abundance in the soil for future use.

20. Should agriculture be subsidized?

Government has fallen into the custom of subsidizing other economic interest groups and has thus placed agriculture at a disadvantage; to overcome this disadvantage and make agriculture contribute equally with all groups to the general welfare and share equally with all groups in the general welfare, it is necessary either to do away with all subsidies or to subsidize agriculture as well as other groups. The Nation has chosen the second alternative.

In considering government aid for farmers, here are some facts to keep in mind:

1. Government Subsidizes Nonfarm Groups More Than Agriculture.

Public aid to nonfarm groups today amounts to more than 4 billion dollars annually, which is about 5 times the Federal payments of $807,000,000 made to farmers in 1939 and close to 4 times as much as all expenditures by the Department of Agriculture in the 1939 fiscal year, namely $1,185,223,582. Estimates of various forms of cash aid given by the Government in fiscal year 1939 are as follows:

Airlines	$ 63,629,179
Ocean shipping	21,191,472
Waterways	115,987,261
Publishing business	87,460,317
Motor transportation (highways)	1,100,000,000
Industry, through the tariff 1/	3,000,000,000
Total	$4,388,268,229

An even more expressive story is told by showing how much government aid was received by some of these groups per employed worker:

Publishing business	$1,200
Aircraft engaged in carrying airmail	450
Ocean shipping	370
Industry, through the tariff	200
Agriculture, through Federal payments	65

1/ This is a broad approximation of the cost of the tariff to consumers in 1937, assuming that the average tariff rate is one-third effective in raising prices.

2. Federal Expenditures for Agriculture Less Than for Other Purposes.

While farmers comprise about 25 percent of the population, the cost of the National Farm Program in fiscal year 1939 was only 8 percent of all Federal expenditures, compared with 41 percent for unemployment relief and public works, 18 percent for national defense and veterans' aids, and 9 percent for social security.

3. Farm Payments Necessary for Conservation.

Farmers earn their government payments by conserving the nation's soil. In order to be eligible for payments under the AAA program, the farmer is required to carry out soil conserving practices. It costs money to store up soil fertility for future generations.

4. Agriculture at a Disadvantage in Buying and Selling.

Farmers are at a disadvantage because they sell in a free market (prices fluctuate with demand) and buy in a controlled market (prices kept up while production shifts with demand). During the economic decline, 1929-1932, the agricultural implement industry cut its production by about 80 percent and kept prices from falling more than 6 percent, while farmers maintained their production and took price cuts of more than 50 percent. By 1938 farm machinery prices were the highest since 1921, while prices received by farmers were 24 percent lower than in 1921. The farmer buys in a market where prices are fixed by administrative control; he sells in a market where prices fall whenever general buying power is reduced.

5. Farm Income and Prices Below Parity.

For twenty years farm prices and farm income have been below parity (pre-war relationship with nonfarm prices and income). Farm income was 76.8 percent of parity in 1939, only 34.2 percent in 1932. Farm prices were 73 percent of parity in 1939, only 58.8 percent in 1932.

Specific examples will show what it means for farm prices to be below "parity," which amounts to pre-war buying power. A 100-pound keg of 8-penny common nails doesn't change, but it cost the farmer 17 pounds of cotton in 1913, 49-1/2 pounds in 1932, and 36 pounds in 1939. In order to buy a single-bit axe with a 4-pound head, the farmer had to sell 18 pounds of beef in 1913, 51 pounds in 1932, and 27 pounds in 1939. A 26-inch handsaw was worth 2-1/2 bushels of corn in 1913, 9-1/3 bushels in 1932, and nearly 4 bushels in 1939. As these examples show, the farmer's buying power today is much better than in 1932 but still below pre-war levels.

6. Farmers Subsidize Consumers.

By supplying food and fiber at below-parity prices, farmers have been subsidizing consumers at the rate of 2 billion dollars a year. With farm prices below parity, farm income has suffered a cumulative deficiency

of more than 20 billion dollars in the past 10 years, an average of 2 billion dollars annually.

7. Agriculture Pays Back Six Dollars for One.

Farmers have contributed six times as much to the national income as they have received in AAA payments since 1933. The Federal Government has paid $3,094,000,000 to farmers from 1933 to 1939. In this period cash farm income gained $18,012,000,000 cumulatively above the 1932 level. For every dollar the farmer received from the Government the farmer made an additional 6 dollars in cash from marketings more than in 1932.

8. Farm Buying Power Boosts Business.

Every $100 in additional farm income was accompanied by an increase of $125 in rural retail sales from 1932 to 1939. When the farmer's dollar goes to town, business picks up, jobs are created, wages rise. New buying power in town increases farm income still more. The dollars multiply.

Estimated Governmental Subsidies to Nonfarm Groups*

Airlines

Airports, Federal payments for improvement, construction, operation, and maintenance 1/	$51,574,367
Airline, Federal payments for radio and communication 2/........	3,907,217
Airmail service, excess cost to Post Office Department 3/	8,147,595
TOTAL	$ 63,629,179

Ocean Shipping

Ocean Shipping, Maritime Commission payments for operation 4/........	$ 11,114,578.13
Ocean Shipping, Maritime Commission payments for construction 4/	10,076,894.22
TOTAL	$ 21,191,472.35

Waterways

Waterways, Army expenditures for rivers and harbors 5/........	$115,987.261.02

Publishers

Publishers, excess of Post Office expenditures over revenues for carrying second-class mail 6/	$ 87,460,317.14

Motor Transportation

Highways, Federal and State funds expended for construction, maintenance and improvement 7/	$1,100,000,000

Industrial Tariff

Estimated cost of industrial tariff 8/........	$3,000,000,000
GRAND TOTAL	$4,383,268,229

*All amounts are for fiscal year 1939 except for the industrial tariff, which is for 1937.
1/ First Annual Report of Civil Aeronautics Authority, Fiscal Year 1939, pages 3, 15 and 49.
2/ " " " " " " " " " " page 49.
3/ Annual Report of Postmaster General, Fiscal Year 1939, page 103.
4/ Report of U. S. Maritime Commission, 1939, page 35.
5/ Report of Chief of Engineers, U. S. Army, Vol. 1, Part 1, page 19.
6/ Annual Report of Postmaster General, Fiscal year 1939, page 120.
7/ Estimates for total expenditures supplied by Public Roads Administration.
8/ Assumes tariff to be one-third effective in raising industrial prices. Value of industrial products added by manufacture (as reported by Census of Manufactures: 1937) is added to value of dutiable manufactured imports (as reported by USDC). This total is multiplied by one-third of the ad valorem equivalent of the average tariff rate (as reported by the U.S. Tariff Commission).

21. Can we afford to have a National Farm Program in view of the public debt?

A simple answer to this question is that we cannot afford to be without a National Farm Program at any cost because the nation cannot be prosperous--cannot even survive for many years--on submarginal land and submarginal farmers. Particularly for reasons of national defense, the United States must intensify its programs to maintain an Ever-Normal Granary equal to any emergency, to store up soil fertility by conservation practices, and to put farm income and farm prices on a firm foundation.

In spite of this obvious answer, the question of the national debt is raised again and again, mingled with all sorts of misconceptions. Understanding the debt problem goes a long way toward understanding the nature of agricultural and national recovery.

How Big Is the Nation's Debt?

At the end of 1939 the gross debt of the Federal Government was slightly less than 42 billion dollars. In addition, the gross debts of Federal agencies and corporations amounted to a little under 8 billion dollars. The net Federal debt, including the indebtedness of Federal agencies but eliminating duplications, was about 35-1/4 billion dollars at the end of last year. This was 19-1/2 billion dollars more than at the end of 1929, when the net debt of the Federal Government and its agencies was 15-3/4 billion dollars.

Here are some facts that should be taken into consideration:

1. Total debt, public and private, is nearly 10 billion dollars less than in 1929. Public and private debt combined averaged 7 percent less in the period 1933-1939 than in the years 1929-1932.

2. Private debt is 31-3/4 billion dollars less than in 1929. This is especially significant because private debt has averaged more than 3 times the amount of public debt during the period 1929-1939.

3. Total debt per capita is 12.7 percent less than in 1929. Population increased 8.0 percent while combined public and private debt decreased 5.7 percent in the period 1929-1939.

4. Public debt per capita in the United States has averaged only about a third as much as in Great Britain during a ten-year period before the present war began.

Debt is Investment

Essentially, the creation of debt and the expansion of credit are different names for the same process, the process of investment. When an industry builds new factories, it commonly borrows money--or you can say it obtains credit, or invests capital, or goes into debt. When the people extend Government operations on a large scale they do much the same thing

provided these public investments are for permanent improvements such as slum clearnace, buildings, soil improvement, etc., as distingusihed from current Government operating expenses.

Private debt is repaid by taxing people through price. Government debt can be repaid in the same way through taxes. The farm program formerly financed with a processing tax is much like a private investment operation where business collects enough through price to cover carrying charges. The present farm programs are supported by payments from the Treasury. The Treasury, in turn, raises money partly through taxes and partly through borrowing. The borrowing operations of private business may be called "productive investment" while the credit expansion of Government may be called "running into debt," but the nature of the process is the same.

Called by any name, it is debt - or credit, or investment - which makes almost any large-scale exterprise possible. Big undertakings usually require borrowing because they cannot be started with a small amount of ready cash. Thus the giving and taking of credit - call it debt, if you prefer - is the generating power for the expansion of important enterprises, both public and private. It is debt that gives the big boost to production.

To Be Sound, Debt Must Increase Production and the General Welfare

The important thing about debt is, not its size, but its rate of growth in relation to the production that it generates. Debt (or credit) is sound if it results in producing its money's worth of useful goods and services. Debt (or credit) is unsound if it fails to create a proportionate amount of useful goods and services.

Suppose we apply this standard to the period 1921-1932 during which the economic cycle swung from a low point immediately after the war to a post-war high and then back down to a depression low point. Suppose this cycle is compared with the past seven years since the bottom of the depression.

In the period 1921-1932 combined public and private debt increased at the rate of nearly 4 percent annually, but the rate of change of production averaged out at zero, for the rate of increase in production during 8 years was wiped out by the decline in 3 years. In other words, the period 1921-1932 turned out to be one of unsound credit, for production (and consumption) failed to keep pace with debt during the latter part of this period. Buying power faded away after 1929 and there was nothing to support production, which also took a nose dive.

During the last 10 years when the world has been in a disturbed state, and when business has not found it possible to use credit to advantage, the credit resources of the Government have been freely used to keep industrial activity far above the low levels of 1932. Since 1938 Federal credit resources have been used also to guard farmers and others against the impact of war in Europe. From 1932 to 1939 combined public and private debt increased at the annual rate of only six-tenths of 1 percent, while production

increased 9 percent annually. It has been a period of sound credit with production and consumption outstepping debt by a wide margin.

National Income More Important Than National Debt

The nation's income rose from about 51 billion dollars in 1921 to nearly 83 billion in 1929 but dropped swiftly to 40 billion in 1932. When national income was cut in half within 3 years, the support was removed from the debt structure.

National income rose steadily from 40 billion in 1932 to over 71 billion in 1937 and after a slight drop in 1938 was back to 69-1/3 billion dollars in 1939. During the last 7 years the nation's income has had an accumulated increase of 137-1/2 billion dollars above the 1932 level, an average gain of almost 20 billion dollars per year over 1932. The debt of the Federal Government and its agencies rose 17 billion dollars in this period, an annual average increase of 2.4 billion dollars. Every dollar of debt created during the 30's, chiefly by Federal agencies, has been accompanied by a larger increase in national income than in the 20's. Also, each dollar of public debt increase since 1932 has been accompanied by more than 8 dollars of increase in the production of goods and services.

A large part of the additional debt has been used to build roads, schools, bridges, houses, airports, sewer and water systems, and other things that add to the nation's productive resources. Instead of carrying a mortgage and paying for these as they were used, as an ordinary person would do if he bought a house or a farm, the Government drew on its own credit and paid for them in spot cash. Out of the 17 billion dollar increase in debt, about 10 billions has gone into such long-time public investments. In many cases, such as toll bridges and PWA loans, they will pay their own way, and pay off the investment directly from their own earnings.

No Prosperity Without Debt

It is a basic fact that great economic expansion takes place only when boosted by credit expansion, either public or private. The "boom" during the 1920's was made possible by the creation of private debt which reached the all-time high of $143,650,000,000 in 1929. When the depression came, private credit staged a mass evacuation and to this day has not recovered any appreciable part of its lost territory. Private debt has remained within a narrow range of about 110 to 113 billion during the seven years beginning in 1933.

The economic recovery which has been achieved since 1932 would have been impossible if the Federal Government had not stepped into the gap left by the evacuation of private lending and borrowing. When private investment lags, factories slow down, men are thrown out of work, the nation's buying power shrinks, the weakening demand for farm products depresses agriculture, and the whole economic machinery is jammed. Unless Government steps in, the unemployed, the needy aged, the low-income farmers, and all the rest of the nation's underprivileged millions are left stranded when industry fails to open up new channels of investment.

Since the depression low-point the Federal Government has moved great action programs into fields abandoned or never occupied by private investment. The cost, an increase of 17 billion dollars in the net Federal debt since 1932, has been moderate when measured by the gains in national production and national recovery.

About three billion dollars has been invested by the Federal Government in agriculture since 1933 in the form of payments to farmers. Farmers have nearly doubled their income since 1932 and farm buying power is back to the 1929 level. Furthermore the nation has benefited because every dollar invested in agriculture has been accompanied by an increase of six dollars in farm income. In addition, the nation has six million better farmers and 300 million acres of better land. These are some of the immediate gains from the investment. The long-time productive gains that will come from the conservation of soil resources on more than 80 percent of the nation's crop land cannot be measured now but will accrue to farmers and to the nation in the future.

Can We Pay Off the Debt?

There still remains the problem of paying off the Federal debt and of eliminating annual deficits which began in the 1930-31 fiscal year. Can this be done without burdensome nex taxes?

In 1920 Federal taxes were not oppressive because there was a 68 billion dollar national income to support them. Federal revenue in that year was 6-2/3 billion dollars.

If the 1920 rate of taxation had been maintained, and if the Federal revenues had continued at as large a proportion of the national income as in 1920, the Federal debt could have been completely wiped out by 1928, and by 1939 the Treasury would still have been debt free, with a surplus to spare.

However, during the 1920's taxes were lowered on big incomes and estates, thus reducing internal revenue receipts, and tariff barriers were raised so high that our foreign trade suffered, thus cutting down our customs receipts.

If National Income Stays High and Expands, Debt Can be Retired

The important point is that the national income and consequently the national revenue be maintained at high levels. If the national income continues to advance as it has during the past seven years there is every indication that the national debt can be gradually retired.

In retiring the national debt we shall be paying the money to our own citizens since our debt is domestic rather than foreign. The main concern in the question of taxes is who will pay the debt, investors or consumers, the cost of carrying the debt, and the nation's ability to meet that cost.

Carrying charges on interest-bearing debt, public and long-term private debt combined, were 14-4/10 percent less in 1939 than in 1929. When the national income was cut in half from 1929 to 1932, the share of the nation's income required to pay interest charges was doubled. But when the national income was increased by almost three-fourths from 1932 to 1939, the share of the nation's income used to service debts was cut about in half.

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22. Is the Triple-A responsible for the losses in foreign trade?

The agricultural adjustment programs cannot be blamed for losses in foreign trade which began in the twenties. Agriculture's share of decreased U.S. exports had been declining for a long time before 1933. Since the beginning of this century, farm exports have represented a smaller and smaller share of total exports, dropping from nearly 2/3 of our total exports to less than 1/4 in 1938.

Year beginning July 1	Agriculture's Share of Total Exports (Percent)	Dollar Value of Total Exports
1900	65.0	1,460,463,000
1910	51.1	2,013,549,000
1920	40.8	6,385,884,000
1930	34.2	3,031,557,000
1938	23.7	2,884,531,000

At the beginning of the decade of the thirties, the foreign-trade prospect for our agriculture was definitely unfavorable. One reason was that we quit making heavy loans to foreign countries to sustain their purchases of our products. By adopting the Smoot-Hawley Tariff Act we increased the difficulties of foreign countries in purchasing American goods. Not only that, but foreign countries responded with higher tariffs and greater restrictions which kept out American goods. Also, European agriculture had recovered its pre-war productivity and for military reasons was struggling for self-sufficiency and greater farm production. Finally, relatively new producing areas were being developed and competition was keen among the agricultural exporting countries for the reduced world market.

Since Europe has been the market for two-thirds of our farm exports but only about one-third of our industrial exports, European nationalism, drives for self-sufficiency, higher trade barriers, and dislocations of war have hit agriculture harder than industry.

With its broad objective of bringing the total farm output, and particularly production for export, more nearly in line with total demand, the agricultural adjustment programs have served to cushion the shock of lost foreign markets. In addition, the AAA has gone a step further. Under its export subsidy programs, it has done much to retain a fair share of the world market for the American farmer.

23. Has the AAA program invited imports and are farm imports a menace to the American farmer?

The AAA program has not invited imports other than those which have come in as a result of improved domestic prices. Imports normally increase with American farm prosperity, and decrease when prices are low. Aside from temporary increases due to drought, farm imports have not changed materially from the normal trend to be expected as a result of price movements.

The droughts of 1934 and 1936 resulted in increases in farm imports but the portion of our farm imports which are considered competitive with domestic production declined 6.1 percent from 1936 to 1938.

Farm imports are no menace to the American farmer. In the first place, slightly more than one-half of the total volume of agricultural imports is entirely non-competitive, in the sense that their elimination would not affect prices of any American farm products. Included in this group are coffee and rubber.

Imports represent a little less than one-fourth of the land needed to produce our exports. In other words, it is four times more important to the American farmer to retain his export market than to restrict farm imports. In 1938-39, the acreage equivalent of our farm imports was 7,564,000 acres as compared with 28,375,000 acres needed for exports. If there had been neither imports nor exports in 1938-39, the American farmer would have lost the market for products from 20 million acres.

On the other hand, small imports may do much to increase our exports. We cannot expect sell abroad if we buy nothing in return. Farm products purchased in the United States by foreign countries whether in peacetime or wartime can be paid for eventually only through equivalent imports of goods and services. Reciprocal trade agreement programs are an attempt to expand our export markets through a gradual reduction of barriers. Farm exports to those countries with which we have trade agreements (and they represent 60 percent of our historical export market) increased 61.2 percent from 1934-35 to 1937-38, or 23.3 percent more than our exports to other countries.

24. Will the war lessen the need for a farm program?

To date, the war has cut down rather than increased foreign trade for agriculture. During the first six months of the war producers of tobacco and fruits have been affected most. They have lost a large part of their export market. Tobacco growers have lost additional outlets with almost every new stage of the war's progress. Wheat exports since September have been less than one-fourth the amount for the same months last year and the situation is not expected to improve. Cotton exports are likely to be far below the level of the present marketing year. Exports of lard and pork increased during the first several months of the war but have declined drastically during the last three months. Pork producers with larger numbers of hogs to be marketed face an export market possibly one-third smaller than this year. With decreasing markets abroad, the farm program will be even more important in the next few years.

Our Neutrality Act bans credit purchases by belligerent nations and shipping to them in American vessels. These provisions, together with increased rates on ocean freight and insurance, limits the shipping facilities available to transport American products abroad even if the warring nations wanted to buy heavily from us.

In the past the United Kingdom has been the foremost customer of this country in farm products and France has been our fifth best customer. Now the Allies are carrying out wartime control measures which cut down the American farm market in two of our best customer nations. Some of the most important Allied policies affecting American agriculture are as follows:

1. Expansion of agricultural production at home; 2. Drawing upon accumulated supplies stored in the past; 3. Limitations on such "luxury" items as fresh fruits; 4. Rationing consumers; 5. Increased trading with colonies and dominions; 6. Increased trading with countries that extend credit and accept franc and pound sterling exchange; 7. Increased purchases of agricultural commodities from nearby neutrals to prevent Germany from obtaining these products; and 8. Use of available dollar exchange to purchase munitions, especially airplanes.

All these factors spell out unfavorable prospects for U. S. agricultural exports to the Allies, and no matter what turn the war takes we face a reduction in exports of most farm commodities during this year. If this war goes on for three or four years or longer, the situation may change, but if it does, the national farm program can change just as quickly.

There is little hope that after the war Europe will become a good customer -- the need for our products may be there but the buying power will be gone. Even if barriers are torn down to make the European market accessible to our products, they will not have the money with which to buy.

25. Is the Ever-Normal Granary program threatened by damage to stored grain?

Under the AAA Ever-Normal Granary Program, it is contemplated that farmers will keep on their farms considerably larger supplies of corn and wheat than was customary before the program. Experience in the last two years has shown conclusively that large amounts of grain can be stored safely for considerable periods of time. Only in isolated instances has damage from insects and other causes made it necessary to remove grain from storage.

Reports for the period ended May 1 indicate that more than 99 percent of all 1937, 1938, and 1939 corn in storage graded No. 3 or better and was thus eligible for delivery to the Commodity Credit Corporation in settlement of loans by farmers desiring to do so. All stored corn is reinspected regularly. Prompt action, either to recondition corn or to call loans, follows each report of damage.

In the case of both farm and warehouse-stored wheat, the wheat and the storage space are inspected before loans are made, and wheat is reinspected frequently. In all cases where stored wheat, whether in farm bins, country warehouses, or terminals, is damaged, farmers or warehousemen are asked to recondition it. If the wheat cannot be brought back into condition, loans are called or are liquidated voluntarily by farmers. Insect damage to farm-stored wheat has been about the same as to wheat stored in warehouses.

As a result of heavy rain in the spring and summer of 1939, there was abnormal weevil infestation in the Southwestern States last fall. Frequent reinspection was made of all stored grain, and all bins in which weevils were found were fumigated. Of about 14,000 bins which were inspected in the area affected, it was found necessary to call only 266 loans as a result of damage from all causes.

26. Why hasn't the corn loan kept hog prices higher?

The corn loan program -- and the Ever-Normal Granary of reserves which it creates -- is intended to stabilize the price and supplies of corn, and consequently of hogs. Since hog prices declined to relatively low levels during the past fall and winter, it is charged that the loan program is ineffective in maintaining hog prices.

A surplus of hogs is currently depressing prices. A cycle of overproduction began following the bumper corn crop of 1937 -- when corn was overplentiful and cheap in relation to hogs. That was before the present Agricultural Adjustment Act was passed. The cycle of overproduction continued during 1938 when another big corn crop was harvested and before the loan and Ever-Normal Granary program had an opportunity to become fully effective. The loans strengthened corn prices in 1938 but it was not until the 1939 crop was harvested that the loan program became fully effective. Corn prices are now being maintained at or near the loan value and smaller hog numbers are in prospect for 1940. Had this situation prevailed during 1937 and 1938 it would have checked the overexpansion of hog numbers and the currently low prices would undoubtedly have been avoided.

With acreage allotments and the loan program both in complete operation now, farmers can protect themselves against another recurrence of the present situation.

27. Should farmers adjust production?

Production adjustment under the AAA is a program of abundance, and the lack of it actually means scarcity.

Here is the story of the way unrestricted production ends up with scarcity:

1. Foreign markets for agricultural products have been cut down by nationalism, self-sufficiency drives, tariffs, and countless other trade barriers. U. S. agricultural exports dropped 85 percent from their post-war peak in 1920 to the depression low in 1933. In 1939 they were only 16 percent above 1933. During the first 7 months of the present war farm exports (excluding cotton) declined 20 percent below the same period a year earlier.

2. Domestic demand for farm products is limited by the cessation of immigration, the slackening of population growth, and changes in eating habits because people are less active physically.

3. Agriculture's capacity to produce has been multiplied by the use of modern machinery. Farm production per worker in 1932 was a third higher than the average for the 5 years before the World War.

4. Farm surpluses inevitably pile up when production increases beyond existing limits of exports and home consumption.

5. Agricultural surpluses result in scarcity for farmers -- through lower prices and less income -- as well as scarcity for city people -- through shrinkage in farm buying power. In 1932 farm prices were 56 percent lower and farm cash income 58 percent lower than in 1929. For every $100 that farm income declined in this period, rural retail sales dropped $85. Farmers, poor with surpluses on their hands, contributed to unemployment and business scarcity in the cities because they lacked buying power.

6. Scarcity of soil resources for America's future is bound to follow when millions of farmers strive desperately to get the most out of every inch of their land. In bad times individual farmers work overtime to make ends meet by raising more crops, but when all farmers try the same thing the growing surpluses simply drive prices and income down still lower. Worse still, tons of soil fertility are drained away by this futile process, and the nation is deprived of the richness of theland. Instead of potential abundance in the soil, young America inherits barren dust patches and scarred gullies.

Having seen how unrestricted production leads to scarcity, let's turn to the other side of the story -- acreage adjustment under the AAA as an essential part of the National Farm Program for abundance.

1. <u>By reducing soil-depleting acreage, farmers have been producing more efficiently, saving money and labor.</u> In 1939 farmers produced enough to meet all the nation's needs on only 270,699,000 acres planted to soil-depleting crops, compared with an average of 299,170,000 acres in the five years 1928-1932.

2. <u>By taking nearly 30 million acres out of soil-depleting crops, farmers stored up soil fertility for the future.</u> They planted a potential abundance that can be used any time the nation is ready to absorb it.

<u>Adjustment of agricultural supplies has strengthened farm prices and improved farm income -- thus contributing to abundance for farmers -- and it has enlarged the farmer's ability to buy -- thus contributing to abundance in the cities.</u> From 1932 to 1939 prices received by farmers gained 43 percent and cash farm income increased 82 percent. Every $100 of increase in farm income was accompanied by an increase of $125 in rural retail sales.

3. <u>Acreage adjustment has been indispensable to the Ever-Normal Granary, which assures consumers an abundance of supplies from year to year.</u> Commodity loans to store excess agricultural commodities would have been unsound if prices had not been supported by keeping supplies in line with foreign and domestic demand.

4. <u>Production adjustment for agriculture is accompanied by a degree of consumer protection that is lacking when industry controls production and pegs prices.</u> The Ever-Normal Granary provides for crop insurance on wheat and commodity loans to store surplus wheat, cotton, corn and tobacco. Industry has no comparable program to protect consumers against possible shortages. New problems resulting from the war have found agriculture capable of meeting any possible emergency in supplying food, while important industries have bottlenecks that impede progress in meeting our defense needs.

5. <u>Adjustment of agricultural production contributes to future productive capacity, but industrial production and price controls do not.</u> When farmers took nearly 30 million acres out of soil-depleting crops, they carried out conservation practices to enrich the soil so that the nation's cropland can continue to produce abundantly for the future. When industry curtails production, it makes no such provisions for the future. Agriculture actually expands its capacity to produce when it conserves the land by diversion from soil-depleting crops. Industry does not expand its plant capacity when it cuts down production.

Here are some figures showing how some of our basic industries plowed up production, slashed payrolls, and threw workers into unemployment while industrial prices were being propped up at high levels in the period 1929 to 1933.*

Industry	Percent Decrease, 1929-1933			
	Wage Earners	Wages	Production	Price
Agricultural Implements	53.8	68.5	86.3	0
Cement	52.6	71.6	63.0	10.1
Automobile	45.6	65.6	65.1	13.8
Lumber	54.8	73.2	72.5	31.1

*From 1929 to 1933 agricultural production declined only 4 percent, while farm prices were slashed 52 percent.